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Bob Baldwin's return to investment banking

■ Speaking of dealmakers: CEOs of undervalued companies may be getting a call from former Morgan Stanley chairman **Robert Baldwin**. After five years in semiretirement, Baldwin, 69, is chairman of a year-old investment banking boutique called Lodestar Group. With nearly \$300 million provided largely by Japanese investors, Lodestar has quietly acquired toehold stakes—less than 5%—in half a dozen companies.

Unlike the typical leveraged-buyout group, Lodestar won't acquire more than 20% unless the managers are amenable. "I'm sure they're intimidated at first," Baldwin says. "When we call, they probably think, 'Okay, here it comes.' But we tell them there's no need to get excited." Baldwin and his Lodestar partners—Merrill Lynch alums **Ken Miller** and **Tull Gearreald**—say they're content to cajole reluctant top officers into restructuring the company or taking it private. Lodestar stands to pick up underwriting fees and hopes to see its holdings run up in value.

An example of Lodestar's finesse is the proposed restructuring of Kinder-Care, the \$572-million-a-year company in Montgomery, Alabama, that started with day care centers and diversified with mixed success into shoe stores, savings and loans, and insurance. Lodestar's partners argued that the company would look better to investors if it were less cluttered. So Kinder-Care is spinning off the day care subsidiary. Says CEO **Richard Grassgreen**: "Their word was clearly to be trusted." No wonder. Baldwin, who built Morgan Stanley into a Wall Street powerhouse during his ten years as chief, has been called "the Boy Scout of the investment banking business."

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Robert Baldwin: the gentle persuader

